



AUTOMODULAR CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009
AND 2008
(UNAUDITED)

ALL NUMBERS IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

(All numbers in thousands)

September 30, 2009

December 31, 2008

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$	4,068	\$	6,116
Receivables		14,178		12,474
Income taxes recoverable		77		953
Prepaid expenses		4,148		3,810
		<u>22,471</u>		<u>23,353</u>

Marketable securities 1,639 -

Property, plant and equipment 29,246 31,696

Other assets 783 765

\$ 54,139 \$ 55,814

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$	8,752	\$	9,373
Current portion of long-term liabilities		<u>3,255</u>		<u>2,554</u>
		12,007		11,927

Future income taxes 535 233

Long-term liabilities 6,824 9,171

19,366 21,331

SHAREHOLDERS' EQUITY 34,773 34,483

\$ 54,139 \$ 55,814

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS) FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008 (Unaudited) (All numbers in thousands)

	Capital stock	LTIP	Contributed surplus	Other comprehensive income (loss)	Deficit	Total	Comprehensive income (loss)
December 31, 2008	49,832	(843)	706	(5,739)	(9,473)	34,483	-
Net earnings	-	-	-	-	535	535	535
Foreign currency translation	-	-	-	(655)	-	(655)	(655)
Unrealized gain on marketable securities	-	-	-	121	-	121	121
Unrealized gain on interest rate swap	-	-	-	102	-	102	102
Compensation expense	-	187	-	-	-	187	-
September 30, 2009	49,832	(656)	706	(6,171)	(8,938)	34,773	
Total comprehensive income							<u>103</u>
	Capital stock	LTIP	Contributed surplus	Other comprehensive income (loss)	Retained earnings	Total	Comprehensive income (loss)
December 31, 2007 as previously reported	49,832	(469)	91	(6,645)	6,797	49,606	-
Change in accounting policy	-	-	-	-	(7,849)	(7,849)	-
December 31, 2007 as restated	49,832	(469)	91	(6,645)	(1,052)	41,757	-
Net earnings	-	-	-	-	3,483	3,483	3,483
Foreign currency translation	-	-	-	205	-	205	205
LTIP	-	(500)	-	-	-	(500)	-
Dividends	-	-	-	-	(778)	(778)	-
Compensation expense	-	94	-	-	-	94	-
Restated September 30, 2008	49,832	(875)	91	(6,440)	1,653	44,261	
Total comprehensive income							<u>3,688</u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

(Unaudited)

(All numbers in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
SALES (Note 6)	\$ 15,112	\$ 20,691	\$ 52,457	\$ 66,514
COST OF SALES AND OTHER EXPENSES	14,276	15,912	41,189	54,964
PREPRODUCTION COSTS	361	50	1,256	1,419
EXIT COSTS (Note 6)	<u>(88)</u>	<u>543</u>	<u>2,921</u>	<u>1,188</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>563</u>	<u>4,186</u>	<u>7,091</u>	<u>8,943</u>
Amortization	1,832	1,522	5,505	3,896
Interest expense, net	205	178	633	531
Foreign currency exchange loss (gain)	11	(7)	3	(29)
Other income	<u>(1)</u>	<u>(4)</u>	<u>(4)</u>	<u>(48)</u>
	<u>2,047</u>	<u>1,689</u>	<u>6,137</u>	<u>4,350</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(1,484)	2,497	954	4,593
INCOME TAXES	<u>(415)</u>	<u>475</u>	<u>419</u>	<u>1,110</u>
NET EARNINGS (LOSS) FOR THE PERIOD	<u>\$ (1,069)</u>	<u>\$ 2,022</u>	<u>\$ 535</u>	<u>\$ 3,483</u>
Earnings (loss) per share -				
Basic and diluted	\$ (0.04)	\$ 0.08	\$ 0.02	\$ 0.14
Weighted average common shares outstanding				
Basic	25,411,680	25,750,729	25,411,680	25,750,729
Diluted	25,411,680	25,750,729	25,411,680	25,750,729

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

(Unaudited)

(All numbers in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net earnings (loss) for the period	\$ (1,069)	\$ 2,022	\$ 535	\$ 3,483
Items not involving current cash flows:				
Amortization	1,832	1,522	5,505	3,896
Future income taxes	(89)	(127)	359	16
Compensation expense	62	32	187	94
Deferred financing fees	(43)	92	22	92
Unrealized loss on financial instruments	45	-	102	-
Foreign exchange gain	11	(7)	3	(29)
Pension expense	38	-	113	-
Pension contribution	-	-	(131)	-
Purchase of LTIP shares	-	(500)	-	(500)
Gain on sale of property, plant and equipment	(1)	(4)	(4)	(48)
	786	3,030	6,691	7,004
Net change in non-cash working capital:				
Receivables	2,723	(316)	(2,317)	(4,022)
Income taxes receivable	31	(286)	689	(663)
Prepaid expenses	(138)	(97)	(410)	(533)
Accounts payable and accrued liabilities	(815)	(4,402)	(753)	(3,384)
	2,587	(2,071)	3,900	(1,598)
INVESTING ACTIVITIES				
Purchase of marketable securities	(832)	-	(1,462)	-
Purchase of property, plant and equipment and other assets	(384)	(2,419)	(2,782)	(9,396)
Proceeds on disposal of property, plant and equipment	2	76	30	159
	(1,214)	(2,343)	(4,214)	(9,237)
FINANCING ACTIVITIES				
Dividends paid	-	(778)	-	(778)
Repayment of long-term liabilities	(569)	(560)	(1,669)	(1,556)
	(569)	(1,338)	(1,669)	(2,334)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(38)	4	(65)	4
CHANGE IN CASH AND CASH EQUIVALENTS	766	(5,748)	(2,048)	(13,165)
Cash and cash equivalents, beginning of period	3,302	8,209	6,116	15,626
Cash and cash equivalents, end of period	\$ 4,068	\$ 2,461	\$ 4,068	\$ 2,461

AUTOMODULAR CORPORATION

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008 (All numbers in thousands except share amounts)

1. BASIS OF PRESENTATION

The unaudited consolidated interim financial statements of Automodular Corporation (Automodular or the Company) have been prepared in accordance with Canadian generally accepted accounting principles, except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited consolidated interim financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements. The consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements, except as explained below.

Certain comparative numbers have been reclassified including a reclassification of \$132 within the Statement of Shareholders' Equity and Comprehensive Income (Loss).

On October 1, 2008, the Company adopted the new *Canadian Institute of Chartered Accountants (CICA) Handbook* Section 3064. As a result of adopting this section, the Company now expenses start-up and pre-production costs as incurred. This change in accounting policy has been applied retroactively, and financial statements of prior periods have been restated.

Marketable securities purchased by the Company this year have been classified as available for sale in accordance with the *CICA Handbook* section 3855, "Financial Instruments" and recorded at fair value, with unrealized gains and losses recorded in other comprehensive income.

2. ACCOUNTS RECEIVABLE

The Company adjusts trade accounts receivable balances, through a provision for doubtful accounts, to expected realizable value as soon as the account is determined not to be fully collectible, with such adjustments charged to earnings. When a trade accounts receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. The Company updates its estimate of the allowance for doubtful accounts, based on a customer-by-customer evaluation of the collectibility of trade accounts receivable balances, taking into account amounts that are past due, the customer's payment history and any available information indicating that a customer could be experiencing liquidity problems. As at September 30, 2009, the allowance for doubtful accounts was \$1. For a portion of the year, the Company purchased contract frustration insurance in order to mitigate its exposure to potential restructuring through US Chapter 11, Canadian CCAA or otherwise by General Motors of Canada (\$3.5 million) and Ford Motor Company (\$6.7 million). This coverage expired August, 2009 and was not renewed.

The aging of accounts receivable balances as at September 30, 2009 was as follows:

Current:	\$ 10,061
Past due 0-30 days:	(33)
Over 30 days past due:	<u>4,150</u>
Total	<u>\$14,178</u>

3. LONG-TERM LIABILITIES

Interest expense on long-term liabilities for the quarter and year-to-date are \$214 and \$647 (2008 - \$186 and \$801).

4. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Interest paid	\$ 214	\$ 204	\$ 647	\$ 819
Income taxes paid (refunded)	\$ -	\$ 839	\$ (100)	\$1,654

AUTOMODULAR CORPORATION

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008**
(All numbers in thousands except share amounts)

5. SEGMENTED INFORMATION

The Company operates in one segment, being automotive sub-assembly and sequencing services. The following table summarizes the geographic information. Sales are shown by country of origin.

	As at and for the periods ended September 30, 2009			As at and for the periods ended September 30, 2008		
	YTD sales	Current quarter sales	PP&E	YTD sales	Current quarter sales	PP&E and goodwill
Canada	\$ 50,897	\$ 14,628	\$ 29,220	\$ 63,299	\$ 19,681	\$ 38,566
United States	1,560	484	26	3,215	1,010	111
	<u>\$ 52,457</u>	<u>\$ 15,112</u>	<u>\$ 29,246</u>	<u>\$ 66,514</u>	<u>\$ 20,691</u>	<u>\$ 38,677</u>

6. OSHAWA-AREA CONTRACTS AND EXIT COSTS

During the second quarter, as a result of the closure of General Motors of Canada Limited's Oshawa Truck Plant in May, 2009, Automodular shut down its Montecorte facility which supported those operations. The commercial agreement with our customer called for a termination fee to be paid based on the remaining months outstanding in the purchase order. Accordingly, to reflect this, \$4,360 was included in sales. Costs expensed relating to the closure include \$2,108 in estimated severance costs for impacted hourly and salaried employees (\$546 of which was booked in 2008), \$736 relating to the write off of capital assets with the charge reflected as amortization and \$1,446 in respect of other expected closure costs (included in accounts payable and accrued liabilities) including but not limited to estimated facility repair costs, residual equipment leases and lease inducement costs over the balance of the facility lease.

Subsequent to the third quarter, Automodular negotiated a settlement of outstanding commercial issues relating to its Oshawa and Ohio area operations. As a result of these negotiations, revisions to prior period estimates and current period costs incurred, the following adjustments have been reflected in these interim statements: a reduction in revenues of \$2,127 relating primarily to a reduction in the previously recorded early termination fee; an increase in revenues of \$250 relating to capital assets, which as a result of the negotiations, will remain the property of Automodular; and a reduction in future obligations and corresponding exit costs of \$88. The negotiations will also result in an increase to pricing as a result of changes in scope in our Oshawa business, going forward. As part of these negotiations, Automodular also agreed to extend its existing Ohio contracts to September 30, 2010 (they were previously set to expire December 31, 2009). The Company will re-examine its accruals on a quarterly basis and will revise its estimates as circumstances change.

During 2008 and 2009, severance costs were recorded relating to the closure of the facility referred to above and the expiry of certain contracts supporting GM Oshawa's car operations. At September 30, 2009, \$1,150 of severances remain unpaid and are included in accounts payable and accrued liabilities on the balance sheet.